Composite Return - Short Year Period

How is a composite return filed when a short tax year causes a partnership or S corporation to have two tax years that end during the same calendar year?

If both returns report income, or if both returns show a loss, then a composite return can be filed with each return when it is filed on Form 106.

If one return reports income and the other return shows a loss, then the partnership or S corporation will be allowed to file one composite return for the calendar year that combines the reported income and loss of each partner/shareholder. The composite return should be included with the second tax return that is filed during the calendar year.